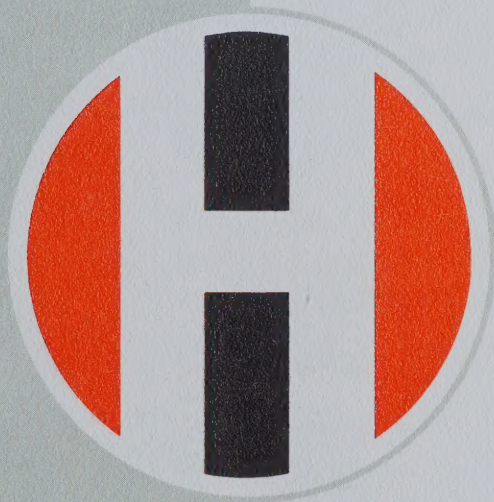


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HIGHMONT MINING


Corp. Ltd. (N.P.L.)



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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1968



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HIGHMONT MINING CORP. LTD. (N.P.L.)

OFFICERS and DIRECTORS

Officers

J. L. GIBSON—President

S. J. O. McCLAY—Secretary-Treasurer

Directors

W. P. CLARKE

R. W. FALKINS

J. L. GIBSON

S. J. O. McCLAY

Statutory Information

CAPITALIZATION

Authorized 5,000,000 Shares

ISSUED AND FULLY PAID

2,920,338

TRANSFER AGENT

National Trust Company, Limited,
510 Burrard Street,
Vancouver 1, B.C.

BARRISTERS AND SOLICITORS

Andrews, Swinton, Margach, Austin & Williams,
900 West Hastings Street,
Vancouver 1, B.C.

REGISTERED OFFICE

Andrews, Swinton, Margach, Austin & Williams,
900 West Hastings Street,
Vancouver 1, B.C.

ADMINISTRATIVE OFFICE

702 - 850 West Hastings Street,
Vancouver 1, B.C.

AUDITORS

McDonald, Currie & Co.,
900 West Hastings Street,
Vancouver 1, B.C.

HIGHMONT MINING CORP. LTD. (N.P.L.)

Report of the Directors

On behalf of the officers and directors of Highmont Mining Corp. Ltd. (N.P.L.), it is my privilege to present to you the Third Annual Report. In addition to the auditors' report on the affairs of the company is a report by the company's Resident Mine Manager, Mr. H. H. Waller.

The Highmont property is a potential large tonnage, low-grade, open pit copper-molybdenum property similar to and adjoining Lornex, nearby Valley Copper and Bethlehem Copper situated in the now famous Highland Valley copper area of southern B.C.

The large scale development program being carried out on the Highmont property is both costly and time consuming, as are all large open pit projects. To date, over \$2,000,000.00 has been spent consisting of 262 percussion drill holes, over 50,000 feet of diamond drilling, 1,800 feet of underground drifting and raising and 4,000 feet of underground drilling. In addition, a complete bulk sampling plant of 200 tons per day processed the underground material for testing.

At the present time, 3 diamond drills are operating on a 3 shift basis. The drilling is now being concentrated on areas extending and outside the main east zone and the west zone where, up to March 15, 1969, 61,000,000 tons of copper-molybdenum ore was indicated grading 0.437% copper equivalent, with a waste to ore ratio of .59 to 1. The recent drilling has added an additional tonnage of approximately 12.5 million tons grading 0.53% copper equivalent for a total indicated tonnage of 75,000,000 tons. This tonnage is calculated to 500 feet depth only. Several holes drilled below 500 feet vertically indicate no change in mineralization and the zone must be considered open at depth.

Continued diamond drilling on extensions and step-out holes indicate that the possibility of adding to reserves must be considered excellent.

Metallurgical work done to date indicates that about 92% of the copper would be recovered in a concentrate assaying 0.02 ozs./ton gold, 3.1 ozs./ton silver and 36.7% copper. A separate molybdenum concentrate will be produced assaying not less than 54% molybdenum.

Since the 1968 year end auditors' report, an additional \$787,500.00 has been put in the company treasury by the underwriting of 250,000 shares at \$3.15 per share net.

Negotiations for major financing and participation in the Highmont project are now in progress. The directors are confident that this financing will be forthcoming to carry the project through to production.

I wish to express my appreciation to my fellow officers and directors, the geological and engineering staff and the efficient office staff for their cooperation and diligence during the past year.

Respectfully submitted,

J. L. GIBSON,
President.



**Loader dumping underground ore into Bins.
Each bin represents one round.**



Sampling Tower and Crusher for Underground Bulk Sampling.

HIGHMONT MINING BALANCE SHEET

ASSETS

	<u>1968</u>	<u>1967</u>
	\$	\$
Current Assets		
Cash	47,452	36,227
Accounts receivable	29,046	4,866
Prepaid expenses	1,877	2,600
	<u>78,375</u>	<u>43,693</u>
Investment (notes 1 and 2)	<u>10,000</u>	<u>10,000</u>
Mineral Properties — at value ascribed to 1,000,000 shares of capital stock issued as consideration for properties (note 1)	<u>334,661</u>	<u>334,661</u>
Fixed Assets		
Buildings and equipment - at cost less accumulated depreciation (note 3)	<u>96,549</u>	<u>70,490</u>
Deferred Costs		
Exploration, development and administration (note 1)	1,616,009	860,465
Incorporation	1,044	1,044
	<u>1,617,053</u>	<u>861,509</u>
	<u><u>2,136,638</u></u>	<u><u>1,320,353</u></u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Highmont Mining Corp. Ltd. (N.P.L.) as at December 31, 1968 and the statements of deferred exploration, development and administration costs and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Vancouver, B.C.
March 13, 1969

McDONALD, CURRIE & CO.
Chartered Accountants

ORP. LTD. (N.P.L.)

December 31, 1968

LIABILITIES

	<u>1968</u>	<u>1967</u>
	\$	\$
Current Liabilities		
Accounts payable and accrued liabilities	45,224	11,990
Torwest Resources (1962) Ltd. (N.P.L.)	12,069	9,017
	<u>57,293</u>	<u>21,007</u>
 Advances from Nippon Mining Co. Ltd. (note 4)		300,000
	<u>57,293</u>	<u>321,007</u>

SHAREHOLDERS' EQUITY

Capital Stock (notes 4 and 8)

Authorized —

5,000,000 shares with a nominal or par
value of 50c each

Issued and fully paid —

2,920,338 shares (2,057,005 shares at
December 31, 1967)

2,079,345	999,346
<u>2,136,638</u>	<u>1,320,353</u>

Signed on behalf of the Board

J. L. GIBSON, Director

W. P. CLARKE, Director

HIGHMONT MINING CORP. LTD. (N.P.L.)

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION COSTS FOR THE YEAR ENDED DECEMBER 31, 1968

(Highmont Claim Group, Highland Valley, B.C.)

	For the year ended December 31, 1968 \$	For the eight months ended December 31, 1967 \$
BALANCE-BEGINNING OF PERIOD	860,465	525,103
EXPENDITURES DURING THE PERIOD		
Exploration and development		
Assays	35,656	2,998
Consulting geologist	35,560	10,904
Cookhouse	12,270	
Depreciation	33,045	9,349
Drifting	52,065	70,703
Drilling	287,423	2,982
Equipment and vehicle operation	39,304	18,645
Equipment and vehicle rental	3,605	15,853
Feasibility and sample plant	28,686	44,210
Field supervision	22,105	13,420
General field and camp	11,758	17,534
Management fee (note 5)	64,381	27,940
Portal		3,216
Road building and maintenance	1,250	1,400
Salaries and wages	65,640	50,462
Slashing		4,576
Stripping and trenching	5,459	
Survey and line cutting		6,597
Telephone and telegraph	3,398	2,884
Travelling and automobile	6,590	2,437
	708,195	306,110
Administration		
Advertising and promotion	5,963	5,009
Audit	2,600	2,250
General office	6,832	4,317
Legal	11,262	
Management fee (note 5)	12,000	8,000
Salary	6,375	4,250
Shareholders' information	2,499	1,370
Travelling and automobile	4,174	4,001
Trust company fees	1,556	665
	53,261	29,862
Less: Interest earned on short-term deposits	5,912	610
	47,349	29,252
TOTAL EXPENDITURES DURING THE PERIOD	755,544	335,362
BALANCE - END OF PERIOD	1,616,009	860,465

HIGHMONT MINING CORP. LTD. (N.P.L.)

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1968

	For the year ended December 31, 1968 \$	For the eight months ended December 31, 1967 \$
SOURCE		
Capital stock issued for cash	615,000	15,000
Advances from Nippon Mining Co. Ltd. (note 4)	90,000	300,000
Advance from Torwest Resources (1962) Ltd. (N.P.L.) (note 4)	75,000	
	<u>780,000</u>	<u>315,000</u>
 USE		
Exploration, development and administration costs	755,544	335,362
Less: Item included in deferred exploration costs which is not a use of working capital		
Depreciation	33,045	9,349
	<u>722,499</u>	<u>326,013</u>
Fixed asset additions	59,105	31,193
	<u>781,604</u>	<u>357,206</u>
 DECREASE IN WORKING CAPITAL	 1,604	 42,206
WORKING CAPITAL - BEGINNING OF PERIOD	<u>22,686</u>	<u>64,892</u>
WORKING CAPITAL - END OF PERIOD	<u>21,082</u>	<u>22,686</u>
 REPRESENTED BY:		
Current assets	78,375	43,693
Current liabilities	57,293	21,007
WORKING CAPITAL - END OF PERIOD	<u>21,082</u>	<u>22,686</u>

HIGHMONT MINING CORP. LTD. (N.P.L.)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1968

1. VALUES

The amounts shown for investment, mineral properties and deferred exploration, development and administration costs represent costs to date and are not intended to reflect present or future values.

2. INVESTMENT

The company owns 100,000 shares of Minex Development Limited (N.P.L.) at a cost of \$10,000. As at December 31, 1968, 85,000 of these shares were held in escrow subject to the order of the Superintendent of Brokers. Minex had a quoted value of 37c per free share on that date. No market value is available for escrowed shares. On January 24, 1969 the 15,000 free shares were placed as collateral to secure a bank overdraft.

3. FIXED ASSETS

Fixed assets and related accumulated depreciation are as follows:

	1968			1967
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Automotive equipment	10,967	3,212	7,755	3,292
Field equipment	97,357	34,770	62,587	39,326
Mining equipment	5,062	1,898	3,164	4,429
Camp buildings	26,623	7,040	19,583	19,639
Camp equipment	4,338	1,185	3,153	3,804
Office equipment	361	54	307	
	<u>144,708</u>	<u>48,159</u>	<u>96,549</u>	<u>70,490</u>

4. CAPITAL STOCK

At December 31, 1968 the total shares issued and the consideration received were as follows:

	1968					1967
	Shares	Par value \$	Premium (discount) \$	Commission \$	Net \$	Net \$
For cash	1,920,338	960,169	803,333	18,818	1,744,684	664,685
For mineral properties	1,000,000	500,000	(165,339)		334,661	334,661
	<u>2,920,338</u>	<u>1,460,169</u>	<u>637,994</u>	<u>18,818</u>	<u>2,079,345</u>	<u>999,346</u>

During the year ended December 31, 1968 the company issued a total of 863,333 shares for cash (including conversion of advances of \$465,000) totalling \$1,080,000.

By two separate agreements dated September 23, 1966, stock options, expiring in 1971, were granted to two directors to purchase up to a combined total of 100,000 shares at 75c per share. These options were exercisable to the extent of 10,000 shares to each director in any one year and a total of 40,000 shares had been purchased under these options to December 31, 1968. On February 24, 1969 the above agreements were terminated and, in lieu of the options, 30,000 shares were offered to each of the two directors at a price of \$1.00 per share to be purchased immediately after shareholder approval. The shareholders subsequently approved the sale of the 60,000 shares.

HIGHMONT MINING CORP. LTD. (N.P.L.)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968

4. CAPITAL STOCK (Continued)

To comply with an agreement dated October 14, 1966, the company allowed Nippon Mining Co. Ltd. to convert \$390,000 in advances (\$300,000 in 1967 and \$90,000 in 1968) to 293,333 common shares. Because Nippon Mining Co. Ltd. did not advance a total of \$450,000 on or before June 30, 1968 (only \$215,000 advanced up to the expiry date), the agreement between Nippon and the company was terminated. Torwest Resources (1962) Ltd. (N.P.L.) provided \$75,000 of the above \$215,000 advance and was allowed to convert the \$75,000 advance into 50,000 common shares.

5. MANAGEMENT FEES

The company has entered into a management contract with Torwest Resources (1962) Ltd. (N.P.L.) at a cost of \$1,000 a month plus ten percent of all field exploration costs. The management services provided include accounting and stenographic services, office accommodation, administration and supervision.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Senior officers, as defined by the British Columbia Securities Act, 1967, include the five highest paid employees of a company. The aggregate direct remuneration paid during the year ended December 31, 1968 was as follows:

	\$
To two directors, in their capacity as officers of the company _____	12,750
To three employees, who are senior officers, as defined _____	32,333
	<hr/>
	45,083

7. CONTINGENT LIABILITIES

At December 31, 1968 the company was the defendant in two actions claiming a total of \$13,593. The company has denied both claims and is defending the actions.

8. SUBSEQUENT EVENTS

Pursuant to an agreement dated February 11, 1969, McDermid, Miller & McDermid Limited purchased 200,000 shares of the capital stock of the company at a price of \$3.15 per share and received options to purchase a further 200,000 and 100,000 shares at prices of \$3.15 and \$3.40 per share respectively. By an agreement dated February 10, 1969 between the company, Thermochem Industries Limited and McDermid, Miller & McDermid Limited, McDermid assigned to Thermochem one-half of its option to purchase the above 200,000 shares and its right to acquire all of the 100,000 shares. Under the latter agreement Thermochem also agreed to manage the operations of the company for a term of one year in consideration for \$25,000 plus out-of-pocket expenses. Subsequently McDermid exercised one-half of its option, being 50,000 shares at \$3.15 per share, and Thermochem Industries Limited informed the company directors of its intention to terminate the February 10, 1969 agreement. Thermochem's options on 100,000 shares at \$3.15 per share and 100,000 shares at \$3.40 per share, and McDermid's option on 50,000 shares at \$3.15 per share were cancelled.

MINE MANAGER'S REPORT — HIGHMONT PROPERTY

The President and Directors,
Highmont Mining Corp. Ltd.,
702-850 W. Hastings St.,
Vancouver 1, B.C.

Dear Sirs:-

This is a brief summary of operations at the Highmont Mine in the Highland Valley area for the period April 1968 to May 1969.

Except for the months of June and July, development operations have continued throughout the year and, at present, three diamond drills are operating on surface.

As recommended by W.G. Hainsworth, 31,668 feet of diamond drilling has been carried out to cross section the ore zones at 400 ft. intervals to a depth of 500 feet below surface. Also included was a series of flat holes drilled in the underground workings, where the development headings would be driven.

The underground program of 1,310 feet of drifting and cross-cutting and 210 feet of raising was completed. This work was done following drill holes for the purpose of correlating bulk sampling to diamond drilling results.

The bulk sampling plant operated during the period of underground development and processed 4,995 tons. This rock was the total tonnage from the development program. Bulk sampling from underground excavations must be considered the most accurate method of obtaining a representative sample from a given volume of rock. For this reason, bulk sampling from raises and drifts, which duplicate diamond drilling, are considered the ultimate base for correlation of drill hole evaluation data. For this reason, drill core assays have to be upgraded at least 20% for copper and 15% for molybdenite for the purpose of ore evaluation. The bulk samples assay results from one raise where MoS₂ occurred in shear zones ran more than twice the value of the drill core.

Camp accommodation and facilities were expanded to take care of a crew of 55 personnel.

It has become necessary to lay out a new access road to the property as the present one, which is on Lornex property, will be closed to permit mining operations. Some work has been done on this project.

The crushing plant and all equipment for its operation is owned by Highmont Mining Co. and is in storage at the mine site.

Respectfully submitted,

H. H. WALLER,
Mine Manager.

**Sampling
Tower**



Scootcrete dumping ore from Underground.

